

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUN 12 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities.
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

*Army, DIA, DOS and USAF
reviews completed*

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SECTION 1 (SOVIET)

"B" USSE. Ideological-Political Education of Young Communists Lagging. According to a Pravda editorial of 10 June, some Party organizations are evidently paying insufficient heed to the "ideological-political" education of young Communists. An example of the Irkutsk and North Osetin Party organizations is given where the instruction of young Communists is not being properly effectuated. Pravda complains that many of the Party organizations make no attempt to raise their political and theoretical standards, and that frequently tasks are simply assigned without any subsequent implemental action ever being taken. The editorial warns that "this lax approach to the education of young Communists results in their not taking a daily part in the work of Party organizations." As a result, many of these young Communists remain in Candidate rank too long. Pravda suggests that on the contrary their ability should be early adjudged and they should be individually trained, imbued with a sense of responsibility, and promptly assigned to Party jobs. [REDACTED] COMMENT: This criticism reflects in part the difficulties encountered by Soviet youth in its attempts to absorb the complex and rigid tenets of Party doctrine. 25X1

"C" US 1949 Memo on Formosa Draws Soviet Fire to VOA. An Izvestia article on 10 June 51, charged that the publication of the State Department memo of 23 Dec 49 regarding Formosa, proved that VOA was given official instructions to spread lying information concerning US policy. The New York Daily Mirror was quoted as having noted Acheson's opposition to publication for fear of "exposing the US and VOA as liars," but the Senators "who are collecting arguments against President Truman for the 1952 elections" forced the Senate Committee to publish the revealing memo. Thus, concluded the article, the Committee once more showed the world that the US ruling circles "are carrying on a mistaken, false, dishonest policy," and that "highly placed representatives of the US Government are giving out lies as truth." [REDACTED] 25X1

"C" Moscow Irked by Stronger Articles in Magazine AMERIKA. Literary Gazette and Pravda severely attacked magazine, AMERIKA, singling out Issue No. 46 for an article on "Wages and Prices in the US." This issue, which was initially put on sale 9 April at only a few Moscow kiosks was completely withdrawn prior to the attacks. With the magazine unavailable to the public for comparison, the two critics freely distorted the article. [REDACTED] 25X1

[REDACTED] year, the Embassy does not feel that they are an indication of Soviet intention to ban the magazine. The Kremlin rather hopes to suppress the magazine by restricting its distribution and sale but in the meantime may feel compelled to attack the "tougher" articles which the magazine is now printing. [REDACTED] 25X1

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"A" EASTERN EUROPE-USSR. Collectivization Constitutes Serious Problem in Soviet Orbit. Reporting on the recent action of the Polish Politburo dissolving a Party District Committee for agricultural collectivization abuses, US Embassy Warsaw comments that this action is symptomatic of the serious doctrinal and practical problems raised by collectivization in the Soviet orbit. The Embassy notes as evidence of Communist preoccupation with this problem (1) recent modifications of the collectivization program in Poland and Hungary; (2) airing of collectivization problems in Czechoslovakia during the recent Party upheavals; and (3) apparent continuation of discussions in the USSR regarding Soviet collectivization. [REDACTED]

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COMMENT: Collectivization has been used by the Communists to obtain manpower for industrial expansion through the organization of more efficient agricultural methods and also as a means to consolidate control of the peasantry. While the former objective has been achieved in part, control of the peasant, particularly in the European satellites, remains a serious problem. This is illustrated by recent steps taken in Bulgaria, which is 52% collectivized, to organize a Party control apparatus within the Ministry of Agriculture to insure the proper functioning of Bulgaria's agricultural production.

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"B" FINLAND. Aaland Islands Autonomy Bill Under Consideration. The Finnish Diet again has under consideration a bill to provide the Aaland Islands with greater autonomy. In an effort to forestall anticipated Soviet objections, a controversial clause of the 1922 Autonomy Law granting the Aaland Islands Diet a limited right of petition to the League of Nations through the Finnish President has not been incorporated. This tactic, however, does not preclude the right of the Aaland Islanders to this right of petition (presumably to the UN). [REDACTED]

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COMMENT: The question of a bill to extend the autonomy of the Aaland Islands has arisen several times in recent years, and in each case has never been finally approved because of Soviet objections. In

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view of the strenuous disapproval which the USSR has already voiced through its radio and press concerning the present bill, and the general policy of the present Finnish Prime Minister not to take any step which might offend the USSR, it is likely that this bill will not receive final approval.



"G" Local Anti-Aircraft Defense Law Decreed. According to a Polish decree of 26 February 1951, local anti-aircraft defenses will be organized under the Council of Ministers. Actual implementation of the Ministerial directive will be the duty of the peoples' councils, the organs of local government. [REDACTED] COMMENT: This is the first evidence of a centralized effort involving civilians to set up a nationwide Polish anti-aircraft defense system. Thus far there have been no reports to indicate that this decree has been implemented. Polish civil defense preparations have heretofore been sporadic and not extensive. [REDACTED]

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"A" YUGOSLAVIA. Belgrade Reacts Favorably To Senate Hearings on US Foreign Policy. Ambassador Allen reports that high Yugoslav officials have generally reacted favorably to the current debate on US foreign policy and have expressed confidence that the administration's policy will be vindicated. Yugoslav leaders have followed with particular interest and approval Senator Fulbright's view that US foreign policy should be based on opposition to aggression as well as his opposition to MacArthur's inclination to view all Marxists alike. Ambassador Allen feels that the debate will have salutary results in Yugoslavia by convincing the Yugoslavs that US policy is based squarely on opposition to aggression.



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"B" High Official Arrested For Cominformism. Yugoslav authorities have arrested Assistant Minister of Finance Vojislav Srzentic in connection with the disappearance of the records of Yugoslav negotiations with the International Bank for Reconstruction and Development (IBRD). It is believed that the records, which include valuable information concerning Yugoslavia's economy and financial situation, have been turned over to the USSR. The Assistant Minister of Finance was considered a loyal Yugoslav Communist and has held important governmental posts since the regime came to power. COMMENT: This is the second arrest of an important Yugoslav official in the past month on charges of Cominformism. The president of the Yugoslav metallurgical workers syndicate, Lazar Plavsic, was arrested in May on charges of maintaining contact with the Cominform underground. In an important speech in February Tito emphasized the problem of Cominformism within the Party and warned that party members must accept Yugoslavia's policy of cooperation with the West which was dictated by the Cominform attitude. In a recent speech before the Central Committee of the Yugoslav Communist Party, Politburo member Djilas also referred to the problem, indicating that although opportunities for freer discussion would be granted to Party members, questioning of decisions once made would not be tolerated. While these arrests and public statements indicate that Cominform activities are increasing, the ability of the Security Police to ferret out these instances that the regime has the problem under control.

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SECTION 2 (EASTERN)

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"B" IRAQ. IPC Settlement Now Dependent on Iraq Government. US Ambassador Crocker in Baghdad reports that just before the 7 June departure for London of the IPC negotiators, Prime Minister Nuri Said (a) objected to a proposed IPC press release which would indicate that an agreement had not yet been reached and (b) requested a firm IPC offer with Gibson remaining in Baghdad.

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Crocker believes that the sudden speeding up of the negotiations may possibly be explained by the fact that Nuri had hoped to prolong the negotiations until the Iranian situation became clearer. Nuri's hand was forced, however, by the imminent departure of the IPC negotiators and by IPC's desire to issue a factual press release which would have contradicted Nuri's erroneous assertion that IPC had agreed to settle on the basis of an Iranian agreement.

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"B"

Participation of Moslems in the Forthcoming National Elections. At a recent meeting of its Working Committee, the Indian Union Moslem League resolved to take part in the forthcoming general elections. It felt, however, that it could not yet determine the political party to which the League's support should be given, and it satisfied itself by calling upon Indian Moslems to stand solidly behind it, without making any other commitments, until such time as a decision should be reached. [REDACTED]

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[REDACTED] COMMENT: Apathy, fear of persecution, and a certain discouragement regarding the usefulness of voting in an election dominated by Hindus will probably combine to keep the Moslem vote small and ineffective. Furthermore, it is believed that the 40 million Moslems in India are not sufficiently concentrated in any part of the country (except possibly near Delhi and Bombay cities) appreciably to affect the outcome of the national elections even though they should vote as a relatively solid bloc.

"C"

INDONESIA. Senate Foreign Policy Hearings Invite Indonesian Criticism of US. Indonesian press comment on the current US Senate hearings reveals an insufficient understanding of the issues involved and the usual predisposition to criticize American foreign policy. Most local observers interpreted the hearings as indicating US determination to pursue military action to the extreme regardless of Asian welfare or the psychology of

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the Asian people. Their reading of the history of US China policy persuades them that US policy is unpredictable save as it serves often ill-judged momentary interest, involves stubborn backing of reactionary causes, and relies upon overpowering economic pressure or, in the last resort, overwhelming military power. The hearings - with their emphasis on military matters - coincide with the increasingly emphasized Communist peace campaign in Indonesia.

25X1 [REDACTED] COMMENT: While no reports of official Indonesian reaction to the policy hearings have been received, the press undoubtedly reflects the views of many Indonesian leaders.

"C"

Government Committee Recommends Continued but Revised Financial-Economic Cooperation with Netherlands. The special state committee set up by the former government to study revision of Netherlands-Indonesian relations delivered its report to the Cabinet on 6 June. The section on financial-economic agreement - the only portion of the report yet available to the US Embassy - recommends continued cooperation with the Dutch but under an ordinary international agreement rather than under a statute of the now existing Netherlands-Indonesian Union. The report also suggests the formation of a committee to determine which Dutch rights and concessions may be repudiated as unproductive or inconsistent with Indonesian economic policy, and specifically recommends that oil company rights exempting them from foreign exchange controls be rescinded. US Ambassador Cochran notes that the Cabinet, which has exhibited a definite trend toward socialism and nationalism, will undoubtedly find the report too conservative.

25X1 [REDACTED] COMMENT: Revision of Netherlands-Indonesian relations with special emphasis on abrogation of the Netherlands-Indonesian Union and modification of the Round Table Conference Agreements of 1949 is one of the principle points of the present government's program. The cabinet, although possibly realizing the current necessity of continued financial and economic cooperation with the Dutch in view of the latter's large and productive investments in Indonesia, will want more immediate and drastic revisions than the committee has recommended.

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"C"

Further Evidences of Anti-Communist Sentiment in the Chinese Community. A controversy as to whether to use Communist or non-Communist textbooks in a Rangoon Chinese school has led to a closure of the school by the Burmese police as a precaution to avoid violence. The Communists previously have had little difficulty in winning control of Chinese schools. On 6 June, one of Burma's leading Chinese citizens, well known for his pro-Communist activities, was murdered, apparently as a result of his efforts to bring one of the powerful Chinese secret societies into a pro-Communist Chinese association currently being sponsored by the local branch of the China Democratic League. The next day, several Chinese called on US Ambassador Key to present him with a gift for President Truman from "the 200,000 free overseas Chinese." US Embassy Rangoon comments there is growing determination in the local Chinese community to oppose Communist domination which bears out the recent statement of a non-Communist Chinese leader that the severe purges in China are having a marked effect upon the Chinese in Burma.

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COMMENT: Despite these encouraging developments, the Chinese Communists are still the dominant political force in the Burma Chinese community. The severity of the Communist regime in China is also reported to have caused considerable disillusionment among the Chinese in Thailand and Malaya, and may be indicative of an incipient anti-Communist trend in a group where the Communists have undoubtedly counted upon strong support.

"C"

INDOCHINA. Chinese ex-Nationalist Troops Enter Indochina. 1,200 anti-Communist Chinese troops have submitted to disarmament and internment at a French garrison in western Tonkin. They will later be flown to internment camps in other parts of Indochina.

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COMMENT: Some 30,000 Chinese Nationalist troops entered Indochina in early 1950 and have since that time remained in internment camps set up by the French. Smaller groups of Chinese have occasionally entered Indochina and surrendered themselves to the French. This latest contingent does not appear to be connected with Chinese Nationalist activity on the Burma-Yunnan frontier.

"C"

CHINA. Embassy Moscow Speculates on Future of Dalai Lama. Embassy Moscow, discussing the future of Tibet, comments that the Dalai Lama might well "be tempted...to resort to asylum outside Tibet," hoping to return to power with the "eventual defeat of Communism."

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25X1 [REDACTED] COMMENT: The 23 May agreement between the Peiping regime and the Tibetan delegation to Peiping makes clear that Tibet is to be an integral part of Communist China and that the Dalai Lama, if he remains, is to be subordinate to the Panchen Lama, a Chinese Communist puppet. The Dalai Lama's alternatives are either to accept the agreement or to flee, as his forces are incapable of offering effective resistance to the planned Chinese Communist occupation of Tibet. It appears probable that the Dalai Lama, currently residing in a town near the Indian border, will eventually seek sanctuary in India or Ceylon.

"C" Further Reports of Slave-Labor Camps in Sinkiang. US ConGen Hong Kong reports "further evidence" of slave-labor camps for political prisoners in Sinkiang Province. [REDACTED] 25X1

25X1 [REDACTED] COMMENT: 25X1 [REDACTED] reported in April the sighting of a truck convoy of political prisoners en route to Sinkiang. According to the Communist press, about half of those arrested as "counter-revolutionaries" are being executed, while the others are to be rehabilitated through labor. An extensive slave-labor program in China's outlying provinces is a likely eventuality, although at present the dimensions of such a program are limited by food supplies in the border areas.

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Struggle for Power between Chiang's Possible Successors
Reported. K.C. Wu, who currently considers his position as governor of Taiwan secure, but limited in power, states that a "frantic struggle for power" between Chiang Ching-kuo, the Generalissimo's eldest son and chief of the Political and Informational Department of the Ministry of National Defense, and Premier CHEN Cheng is one of the greatest danger signs present on the Chinese Nationalist political scene today.

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COMMENT: The ambitions of both contenders have been generally acknowledged by observers, though incidents of actual friction have been lacking. CHEN enjoys a greater share of the support of the old party liners, as well as of the Taiwanese, than does the younger CHIANG whose Soviet training and secret police activities have aroused a large amount of fear and distrust. Many elements feel that if WU were forced out of the governorship, CHEN would then stand virtually alone in opposition to Chiang's struggle for control of both the military and political situation on Taiwan. Reports of Chiang Kai-shek's disapproval of some of his son's more high-handed methods have been generally dismissed as mere wrist slappings. No statement as to the identification of the Generalissimo's personal selection of a successor has been made public.

"C"

Hong Kong Official "Not Optimistic" over Korean Peace Prospects. Geoffrey Aldington, Political Advisor to the Hong Kong Government, has told US Consul General McConaughy that he sees "no sign of war weariness" among the Chinese, nor of a disposition on the part of the Communist leadership to "come to terms." Aldington believes that Peiping has sold the Chinese on a "holy war" to defend China's borders, and has "added greatly to its stature" by demonstrating its ability to "fight a foreign war against a powerful enemy." McConaughy feels, however, that Aldington has "greatly overestimated" popular support of intervention in Korea.

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COMMENT: Peiping as yet has given no indication of willingness to modify its terms for a Korean settlement.

both Chinese pride in Communist successes in Korea and Chinese resentment of the sacrifices demanded by the Korean venture, attitudes which are not incompatible. Although popular support for Peiping's domestic and foreign policies is not widespread, Peiping's control over the populace appears to be firm, and the regime's new seven-month campaign for funds to buy heavy equipment for Korea indicates the Communist intention to force the Chinese people increasingly to contribute to the Korean venture.

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"C" ITALY. Humbert Reported Favoring Monarchist Cooperation with Democratic Parties. Former King Humbert is preparing a directive to Monarchist deputies urging them to cooperate with the democratic parties to fight Communism and warning against an alliance with the neo-fascist Italian Social Movement (MSI). [REDACTED] COMMENT: 25X1

In the recent elections, the Monarchists and MSI participated in joint electoral lists in many localities. Because the Monarchist group is relatively small, cooperation with the Government would in general result in little practicable value to the latter. In isolated instances, however, such as in the Sicilian Regional Assembly, it will facilitate Government control by reducing the importance of the MSI as a balance of power between the Government bloc and the Communist bloc.

"B" ICFTU Attempt to Unify Non-Communist Labor Unions Untimely. An International Confederation of Free Trade Unions Committee is now in Rome attempting to unify the two anti-Communist labor confederations, the Italian Confederation of Labor Unions (CISL) and the Italian Union of Labor (UIL). [REDACTED] COMMENT: Efforts to unify CISL and UIL appear particularly inopportune at this time. UIL is sponsored largely by the left-wing of the recently merged democratic Socialist Party which blames its lack of success in the municipal elections partly on right-wing democratic Socialist participation in the predominantly Christian Democratic CISL, distrusted as too close to the Government by much of Italian labor. It appears unlikely therefore that UIL would be willing to merge with CISL at this time. Such an amalgamation would retard the emergence of any strong middle groups to which labor could turn as an alternative to the Communist or the Christian Democrat-dominated labor confederations.

"C" Italians Strengthen Security Forces. Italian infringement of Peace Treaty limitations on its navy is indicated by (1) naval personnel strength of 35,000 as against a maximum of 27,500 authorized; (2) failure to scrap a number of damaged ships of types which are prohibited, two battleships, an uncompleted air craft carrier, two light cruisers, and two submarines, and (3) the expansion of a number of naval installations. The Italian Air Force now totals 622 air craft with an additional 298 air craft under their control, in contrast to the 350 Peace Treaty limitation.

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The Pubblica Sicurezza (the National Police Guard totalling some 70,000 men) is moving toward increased militarization. Guard officers are now sent regularly to the Army's signal school and infantry school which from a military standpoint will improve internal security. 25X1

25X1 [REDACTED] COMMENT: These reports verify previous speculations of an increase in Italian Army, Navy and Air Force strengths and equipment beyond Peace Treaty limits. There will be opposition among some elements normally supporting the Government to a further remilitarization of the Pubblica Sicurezza which might further impede passage of a Civil Defense Bill placing civil defense under the Interior Ministry. The Police Guard, under Interior Minister Scelba, has been criticized for indiscriminate zeal in the suppression of public disorders.

"B" UNITED KINGDOM. UK, France, and US Reach Accord on Yugoslav Aid. The UK, France, and the US have reached agreement on the proposed plan for emergency economic aid to Yugoslavia, on the basis of percentage contributions of 23%, 12%, and 65%, respectively. Signature of the agreement on 13 June will open the way for detailed negotiations with Yugoslavia on the precise nature of the uses to which the aid is to be applied, and for approaches to fourth countries to secure their participation. 25X1

COMMENT: Protracted negotiation by the UK and France over the amount of their respective shares of the aid, as well as over certain procedural difficulties raised by the UK, had delayed this agreement for some weeks.

25X1 [REDACTED] Participation by Yugoslavia's creditors will now be sought in order to obtain adjustment of Yugoslav debt payments schedules, with the aim of maximizing the effect of Western aid in covering the anticipated Yugoslav deficit in the period to 1 July 1952. The present intention is to approach first the Italian Government, in recognition of Italy's primary security interest in Yugoslavia.

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CENTRAL INTELLIGENCE AGENCY

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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST [REDACTED]

12 June 1951

SECTION 2 (EASTERN)

"B" Prime Minister Replies to President Truman. In his reply to President Truman's recent letter, Prime Minister Mossadeq (1) stated that the Iranian Government does not desire to take any steps contrary to the interests of the countries which have hitherto used Iran's oil; (2) reiterated his complaints against AIOC; (3) reaffirmed the necessity of nationalizing the Oil Company in accordance with the Oil Nationalization Law; and (4) stated that Iran will consider the proposals put forward by AIOC if they are made immediately and if they are not inconsistent with the principles of nationalization. Mossadeq also stated that the British Government is concerned in the dispute only if the settlement, accorded the Company by the Iranian Government, is unjust. [REDACTED] COMMENT: The Prime Minister's reply is simply a reiteration of Mossadeq's previous public statements on the oil issue. In writing the letter, Mossadeq was probably

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25X6 aware of its useful propaganda effect in Iran where talks between the Company officials and the Government have just been initiated. Ambassador Grady reports that the Foreign Minister, when he handed him the letter, expressed a desire for its immediate publication in Iran, and Mossadeq, who has repeatedly indicated to Grady that he wished to implement the law cautiously, has been criticized in Iran for procrastinating on the matter.

"B" JAPAN/FRANCE. French Announce Substantial Agreement with US on Japanese Treaty. Ambassador Dulles reports that, following a cordial meeting with French Foreign Office officials relative to the Japanese Peace Treaty, the Foreign Office issued a communique substantially to the effect that no serious differences of principle existed, leaving only certain texts to be clarified. The Ambassador notes that the French did not reflect the point of view given him by the French Ambassador in London.

25X1 COMMENT: French Ambassador Massigli in London informed US officials on 4 June that France prefers a general relaxing of controls over Japan rather than a peace treaty because of French fears of provoking the USSR. On 8 June, admitting that they had not taken Japanese and US public opinion into consideration, the Foreign Office stated it does not intend to hold up US plans for a treaty, although it felt that too precipitous a conclusion of the peace treaty might jeopardize a possible settlement of the Korean conflict.

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